

Message Text

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TO SECSTATE WASHDC PRIORITY 7602

ALL WHEAT NEGOTIATIONS POSTS

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USEEC USMTN USOECD

PASS ELECTRONICALLY AGRICULTURE FOR NOVOTNY AND STR FOR
STARKEY

E.O. 11652: N/A

TAGS: ETRD EAGR OCON

SUBJECT: WHEAT CONFERENCE: CHAIRMAN'S WRAP UP

REF: GENEVA 4335

1. FOLLOWING MEETINGS REPORTED REFTEL, CONFERENCE
CHAIRMAN DUNKEL GAVE DELS OF U.S., CANADA, EC, AND
JAPAN A REVISED DRAFT OF HIS REPORT TO BE MADE AT FINAL
SESSION OF EXECUTIVE COMMITTEE. AFTER FURTHER DISCUS-
SION ON TEXT, ALL FOUR DELS AGREED THAT DUNKEL SHOULD
PRESENT A CAREFULLY WORDED FIRST PERSON SUMMARY THAT
WOULD BE NEUTRAL WITH RESPECT TO DIFFERING POSITIONS,
EVEN THOUGH THIS WOULD MEAN REFLECTING EXTENT OF DISAGREE-
MENT MORE THAN AREAS OF CONSENSUS.

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2. AT MARCH 23 EXECUTIVE COMMITTEE MEETING PRIOR TO
CLOSE OF CONFERENCE, CHAIRMAN READ FOLLOWING STATEMENT:

BEGIN TEXT:

PREPARATION OF AN INTERNATIONAL ARRANGEMENT TO REPLACE

THE INTERNATIONAL WHEAT AGREEMENT, 1971, AS EXTENDED

SUMMING UP BY THE CHAIRMAN

(1) WITH A VIEW TO THE CONTINUATION OF OUR WORK AT SUCH DATE AND IN SUCH PLACE AS THE CONFERENCE MAY DEEM APPROPRIATE, I BELIEVE THAT, IN AGREEMENT WITH THE MEMBERS OF THE BUREAU OF THE CONFERENCE, I CAN SUM UP THE WORK WE HAVE DONE TO DATE IN THE FOLLOWING TERMS:

(2) ALTHOUGH THE CONFERENCE HAD BEFORE IT A DRAFT TEXT PREPARED BY THE EXECUTIVE SECRETARY OF THE INTERNATIONAL WHEAT COUNCIL (TD/WHEAT.6/R.1), IT WAS NOT ABLE, DURING THE TIME ALLOWED IT, TO DRAW UP THE TEXT OF A CONVENTION WHICH COULD BE SUBMITTED TO GOVERNMENTS FOR APPROVAL.

(3) THE NEGOTIATIONS NEVERTHELESS MADE IT POSSIBLE TO NARROW THE AREAS OF DISAGREEMENT AND TO IDENTIFY THOSE AREAS IN WHICH FURTHER EFFORTS WERE NEEDED IN ORDER TO ELIMINATE ALL POINTS OF DIVERGENCE.

(4) IN ORDER TO FACILITATE THIS ESSENTIAL PROCESS OF RECONCILIATION OF VIEWS, I SHOULD LIKE TO DRAW THE ATTENTION OF THE MEMBERS OF THE CONFERENCE TO THE FOLLOWING POINTS.

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(5) WITH REGARD TO WHEAT, I HAVE THE FEELING, ON THE BASIS OF THE WORK DONE IN THE ECONOMIC COMMITTEE AND SUBCOMMITTEE ON WHEAT, AS SUMMARIZED BY THEIR RESPECTIVE CHAIRMEN, AND OF CONSULTATIONS, THAT THE OBJECTIVES OF THE CONVENTION SHOULD, SUBJECT TO MINOR CHANGES, BE AS FOLLOWS:

(A) TO ASSURE SUPPLIES OF WHEAT AND WHEAT FLOUR TO IMPORTING MEMBERS AND MARKETS FOR WHEAT AND WHEAT FLOUR TO EXPORTING MEMBERS, ESPECIALLY TO DEVELOPING MEMBERS;

(B) TO CONTRIBUTE TO THE FULLEST EXTENT POSSIBLE TO THE STABILITY OF THE INTERNATIONAL WHEAT MARKET IN THE INTERESTS OF BOTH IMPORTING AND EXPORTING MEMBERS, ESPECIALLY OF DEVELOPING MEMBERS;

(C) TO CONTRIBUTE TO WORLD FOOD SECURITY, ESPECIALLY SAFEGUARDING THE INTERESTS OF DEVELOPING MEMBERS;

(D) TO MODERATE EXTREME PRICE FLUCTUATIONS OF WHEAT;

(E) TO PROMOTE THE EXPANSION OF INTERNATIONAL TRADE IN

WHEAT; AND
(F) TO ENCOURAGE GREATER INTERNATIONAL COOPERATION IN
ALL ASPECTS OF THE TRADE IN WHEAT.

(6) IT IS GENERALLY FELT THAT THE IMPLEMENTATION OF
THESE OBJECTIVES AND, IN PARTICULAR, OF THE BASIC
OBJECTIVE TO CONTRIBUTE TO A GREATER STABILITY OF THE
WORLD MARKET AND IMPROVE WORLD FOOD SECURITY, SHOULD BE
SOUGHT BY THE MANAGEMENT OF NATIONAL RESERVE STOCKS OF
AN ADEQUATE LEVEL, AND BY MEASURES TAKEN BY MEMBER
COUNTRIES WITH A VIEW TO REDUCING EXCESSIVE PRICE
FLUCTUATIONS. HOWEVER, THE QUESTION OF THE NATURE AND
DEFINITION OF THE RANGE WITHIN WHICH THESE FLUCTUATIONS
SHOULD BE CONTAINED OR MODERATED HAS YET TO BE RESOLVED.
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SOME DELEGATIONS FEEL THAT THE OBJECTIVES SHOULD BE MET
PRIMARILY THROUGH RESERVE STOCK ACTIONS AND OTHER
MEASURES AFFECTING AVAILABILITY OF SUPPLIES. THEY DO

NOT AGREE WITH OTHER DELEGATIONS WHO CONSIDER IT DESIRABLE TO MAINTAIN PRICE MOVEMENTS WITHIN THE LOWER AND UPPER EXTREMES OF A PRICE RANGE. NOTWITHSTANDING THESE DIFFERENCES, THERE SEEMS TO BE AGREEMENT AS TO THE NEED FOR MEMBERS TO UNDERTAKE JOINTLY AGREED RESERVE STOCK ACTIONS AT SPECIFIED PRICE ACTION POINTS AND, IN EXTREME PRICE OR MARKET SITUATIONS, TO TAKE MEASURES, THE EFFECTS OF WHICH, WHILE VARYING ACCORDING TO MEMBERS, SHOULD NEVERTHELESS BE EQUIVALENT AS BETWEEN EXPORTING AND IMPORTING MEMBERS RESPECTIVELY.

(7) IN ORDER TO IMPLEMENT THE ABOVE UNDERTAKING, I WOULD SUGGEST THAT MEMBERS SHOULD IDENTIFY TO THE CONFERENCE: ARRANGEMENTS WITHIN THEIR NATIONAL SYSTEMS TO FULFILL THEIR RESERVE STOCK OBLIGATIONS AND MEASURES LIMITED OFFICIAL USE

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TO BE TAKEN IN EXTREME PRICE OR MARKET SITUATIONS. WITH A VIEW TO MAINTAINING THE BALANCE OF RIGHTS AND OBLIGATIONS AS BETWEEN MEMBERS, THE CONFERENCE MIGHT FURTHERMORE AGREE PROVISIONS WHEREBY ANY CHANGE IN NATIONAL POLICIES ALREADY IDENTIFIED AFFECTING THESE ARRANGEMENTS OR MEASURES SHOULD BE NOTIFIED BY MEMBERS TO THE COUNCIL.

(8) I TURN NOW TO THE QUESTION OF RESERVE STOCKS. IT IS SUGGESTED THAT RESERVE STOCKS HELD BY EACH MEMBER SHALL BE ADDITIONAL TO ITS MINIMUM WORKING STOCKS, AS IDENTIFIED TO THE CONFERENCE.

(9) IN RESPECT OF THE OVERALL SIZE OF RESERVE STOCKS AND INDIVIDUAL MEMBERS' SHARES, IT WAS RECOGNIZED THAT THE OVERALL SIZE OF RESERVE STOCKS SHOULD BE SUCH AS TO ACHIEVE THE OBJECTIVES OF THE CONVENTION, WITHOUT UNDULY DEPRESSING PRICES. BASED ON PRODUCTION VARIATIONS, A FIGURE OF 30 M. TONS HAS BEEN SUGGESTED FOR THE OVERALL SIZE OF THE RESERVE. A RANGE OF 12 M. TO 15 M. TONS BASED ON TRADE VARIATIONS HAS ALSO BEEN PUT FORWARD. POINTS WERE ALSO RAISED CONCERNING STORAGE CAPACITIES AND FINANCIAL LIMITATIONS.

(10) WITH REGARD TO RESERVE STOCK ACTIONS, IT WAS PROPOSED THAT CONSULTATIONS AND RESERVE STOCK ACTIONS SHOULD BE TAKEN ACCORDING TO THE MOVEMENTS OF A PRICE INDICATOR, WHICH WOULD BE AN AVERAGE OF PRICE QUOTATIONS FOR SELECTED WHEAT.

(11) CONSIDERING NOW CONSULTATIONS AND RESERVE STOCK ACTIONS BASED ON PRICE INDICATOR MOVEMENTS BEYOND A LEVEL REPRESENTING NORMAL MARKET FLUCTUATIONS, A MEETING OF MINDS SEEMS POSSIBLE ALONG THE FOLLOWING LINES.

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(12) AT THE FIRST FALLING OR RISING PRICE ACTION POINTS, CONSULTATIONS WOULD TAKE PLACE IN THE MARKET REVIEW COMMITTEE. THESE CONSULTATIONS WOULD AIM AT REVIEWING THE CURRENT AND PROSPECTIVE MARKET SITUATION, INCLUDING PRICE TRENDS, SUPPLY AND DEMAND, AND ASSESS, IN PARTICULAR, THE IMPACT OF NON-MEMBERS ON THE MARKET.

(13) AT THE SECOND FALLING PRICE ACTION POINT, THE QUESTION REMAINS TO BE RESOLVED AS TO WHETHER THE ACCUMULATION OF RESERVE STOCKS ON THE BASIS OF A LOW PRICE DECLARATION SHOULD BE AUTOMATIC OR SUBJECT TO AGREEMENT.

(14) THE SAME QUESTION OCCURS AT THE SECOND RISING PRICE ACTION POINT IN REGARD TO THE RELEASE OF RESERVE STOCKS. MOREOVER, IT HAS YET TO BE DECIDED WHETHER THE RELEASE SHOULD BE EXCLUSIVELY FOR THE BENEFIT OF IMPORTING MEMBERS. NEVERTHELESS IT SEEMS TO BE AGREED THAT PRIORITY IN THE RELEASE SHOULD BE GIVEN TO THE REQUIREMENTS OF DEVELOPING MEMBERS.

(15) DEALING NOW WITH THE INITIAL ACCUMULATION OF RESERVE STOCKS, THE VIEW WAS PUT FORWARD THAT IT WOULD BE APPROPRIATE, DEPENDING ON CIRCUMSTANCES, TO START THIS ACCUMULATION WITHOUT WAITING FOR THE PRICE INDICATOR TO REACH THE SECOND FALLING PRICE ACTION POINT.

(16) IN THE CONTEXT OF THE DISCUSSIONS ON RESERVE STOCKS, I HAVE NOTED THE WISH THAT PROVISIONS SHOULD ALSO BE INCLUDED FOR THE RELIEF BY AGREEMENT OF OBLIGATIONS IN RELATION TO THE ACCUMULATION AND RELEASE OF RESERVE STOCKS. IT HAS FURTHERMORE BEEN SUGGESTED THAT RESERVE STOCK PROVISIONS SHOULD ALSO COVER DURUM WHEAT.

(17) I COME NOW TO THE MEASURES TO BE TAKEN IN EXTREME
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PRICE SITUATIONS. I SHALL BEGIN BY SAYING THAT THERE APPEARS TO BE A LARGE MEASURE OF SUPPORT IN FAVOR OF A PRICE RANGE OR INDICATIVE PRICE RANGE WHICH SHOULD BE

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SUCH AS TO ALLOW THE EFFECTIVE OPERATION OF THE CONVENTION,
DUE ACCOUNT BEING TAKEN OF THE NEED TO PROTECT CONSUMERS
AND PRODUCERS FROM EXCESSIVE PRICE MOVEMENTS AND TO
ENSURE AVAILABILITY OF SUPPLIES AND ENCOURAGE PRODUCTION.

(18) A NUMBER OF MEASURES HAVE BEEN PROPOSED THUS FAR
TO TACKLE EXCESSIVE DOWNWARD PRICE MOVEMENTS, AS WELL
AS EXCESSIVE UPWARD PRICE MOVEMENTS. BUT FURTHER WORK IS
STILL NEEDED TO REACH AGREEMENT ON THESE MEASURES.

(19) IT APPEARED DURING THE DISCUSSIONS THAT IMPORTING
COUNTRIES ATTACH AS MUCH IMPORTANCE TO THE QUESTION OF
ASSURANCES OF SUPPLIES AS THE EXPORTING COUNTRIES DO TO THE
QUESTION OF ASSURANCE OF MARKETS.

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(20) I NOW COME TO THE VERY IMPORTANT QUESTION OF THE
ASSISTANCE TO BE GIVEN TO DEVELOPING COUNTRIES TO ENABLE

THEM TO UNDERTAKE RESERVE STOCK OBLIGATIONS UNDER THE CONVENTION. THIS RELATES TO THE FINANCING OF THE ACQUISITION OF RESERVE STOCKS, COSTS OF HOLDING RESERVE STOCKS, AND OF STORAGE FACILITIES, ETC. I SHOULD LIKE TO DRAW THE ATTENTION OF THE CONFERENCE TO THE RECOMMENDATION OF THE SUBCOMMITTEE OF THE ECONOMIC COMMITTEE ON WHEAT, THAT THE MATTER REQUIRED AN EXAMINATION IN DEPTH IN THE CONTEXT OF THE ONGOING WORK OF THE CONFERENCE IN ORDER TO FIND ACCEPTABLE SOLUTIONS WHICH WOULD ENABLE DEVELOPING COUNTRIES TO UNDERTAKE THE NECESSARY OBLIGATIONS.

(21) WITH REGARD TO COARSE GRAINS, I WANT TO DRAW THE ATTENTION OF THE CONFERENCE TO THE REPORT OF THE ECONOMIC COMMITTEE ON COARSE GRAINS (TD/WHEAT.6/EX/R.4) AND TO THE DOCUMENTS REFERRED TO IN THAT REPORT.

(22) AS REGARDS THE FOOD AID CONVENTION, I ALSO WISH TO DRAW THE ATTENTION OF THE CONFERENCE TO THE REPORT OF THE FOOD AID COMMITTEE (TD/WHEAT.6/EX/R.2) CONTAINING THE DRAFT TEXT OF A NEW CONVENTION.

(23) WITH REGARD TO THE ADMINISTRATIVE COMMITTEE, I WANT TO DRAW THE ATTENTION OF THE CONFERENCE TO THE REPORT OF THE COMMITTEE (TD/WHEAT.6/EX/R.1), WHICH CONTAINS THE RESULTS OF THE COMMITTEE'S FIRST READING OF THE ADMINISTRATIVE AND FINAL PROVISIONS. IT IS IMPORTANT TO NOTE THAT THERE IS AN AGREEMENT THAT THE OBJECTIVE OF A NEW FOOD AID CONVENTION SHOULD BE TO CARRY OUT A PROGRAM OF FOOD AID ENSURING THE AVAILABILITY OF NOT LESS THAN 10 MILLION TONS OF WHEAT AND OTHER GRAIN SUITABLE FOR HUMAN CONSUMPTION ANNUALLY TO DEVELOPING COUNTRIES. END TEXT. VANDEN HEUVEL
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